Facilities and Administrative Costs

OVERVIEW

Facilities and administrative (F&A) costs are expenditures incurred by a sponsored project (programs 11-14) that are not readily identified with that project. Normally, F&A costs (often called overhead) are costs that accrue from the general operation of the University, e.g., administration, maintenance, and building depreciation.

Direct Costs Defined

To better understand F&A costs, direct costs should be defined. Direct costs are those costs which can be easily and accurately identified and charged to a specific project, e.g., salaries, wages, employee benefits, equipment, travel, computer time.

SUPPORT OPERATIONS

Facilities and administrative cost recovery reimburses the University for the additional expense of supporting sponsored projects. Specifically, F&A costs are incurred for purposes common to many or all projects, programs, or activities of WSU. Typical WSU operations for which sponsored projects are charged F&A costs include the following.

General Administration

General executive and administrative functions and expenses of a general nature that do not relate solely to any major function of the University. This includes Payroll, Purchasing, and other administrative functions.

Departmental Administration

Management and support duties that benefit departmental activities.

Sponsored Projects Administration

Proposal review, sponsor negotiations, sponsored project development, and grant and contract post-award administration.

Operation and Maintenance

Expenses incurred for the administration, supervisor, operation, maintenance, preservation, and protection of the University's physical plant.

Such expenses are normally incurred for the following services:

- Custodial and utility
- Repair
- Normal alteration of building
- Care of grounds
- Security
- Hazardous waste and environmental safety

Libraries

Library staff time and library materials for use by those working on sponsored projects.
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Depreciation

Building and equipment depreciation or use allowance.

SETTING RATES

The F&A cost rates are negotiated with the Department of Health and Human Services (DHHS), Division of Cost Allocation.

The WSU Office of Finance and Administration and DHHS personnel negotiate these rates in accordance with federal government cost principles set forth in Office of Management and Budget (OMB) Circular A-21 (applicable to grants awarded prior to December 26, 2014) or Uniform Guidance 2 CFR 200.414 and 2 CFR 200 Appendix III (applicable to grants awarded on or after December 26, 2014).

RATE CATEGORIES

Not all of the operations indicated under Support Operations that contribute to a project's F&A costs apply equally to each project type or location, e.g., research versus educational services and on-campus versus off-campus locations. For this reason, separate rates have been negotiated for each category; taking into account those F&A cost elements that are most applicable. The appropriate F&A cost category is determined at the time of proposal preparation. Questions should be directed to the Office of Research Support and Operations (ORSO). The F&A cost categories are as follows.

Research

Research and development activities that are separately budgeted and accounted for.

Instruction

The University's teaching and training activities. This includes all such activities whether they are offered for credit or not.

Other

Programs and projects that involve the performance of work other than research and instruction. Examples of such programs and projects are health service projects and community service programs.

On-Campus

Activities occurring at WSU campuses in Pullman, Tri-Cities, Vancouver, and Spokane. This category also applies to the Intercollegiate College of Nursing/WSU College of Nursing (ICN) in Spokane.

Outlying Agricultural Research Stations

Activities occurring at specified College of Agricultural, Human, and Natural Resource Sciences research centers and units.

Off-Campus

Activities occurring at locations other than in University-owned or operated facilities. Also, F&A costs associated with physical plant and library support are not considered applicable to the project.
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**DISTRIBUTION BASE AND CURRENT F&A COST RATES**

The F&A cost rate is multiplied by the distribution base to calculate F&A costs. This distribution base consists of specified direct costs that have been charged to the project.

See the Sponsored Programs Services (SPS) web site to view the current agreement for the distribution base and F&A cost rates. Go to:

sps.wsu.edu/

Select **F&A Documents**

**Application of Current Rates**

Use the appropriate negotiated rate for the fiscal year.

**Location Rates**

Sponsored Programs Services establishes a separate University account for each rate applied, e.g., on-campus, off-campus. The principal investigator or administrator charges expenditures to the appropriate account.

**Off-Campus Rate Eligibility**

To be eligible for the off-campus F&A cost rate, a project must meet the definition above for off-campus activities. A major consideration for eligibility is based on the majority of salaries, wages, and benefits that are applied to the project.

**PROPOSAL PREPARATION**

Projected F&A cost recovery is calculated and included in each proposal's budget. See also **BPPM 40.02**.

**Calculation**

Projected recovery is calculated as follows.

Use the current F&A cost rate to calculate projected recovery for the project period.

NOTE: Since the F&A cost rate for a future fiscal year may differ from the current rate, actual recovery may be more or less than the projected recovery.

**One Rate**

Multiply the rate (the specified percentage) by the distribution base.

**Examples**

**Research Activity Example**

The F&A cost rate for the research activity is 51 percent and the distribution base (e.g., modified total direct costs) equals $30,000. What is the projected F&A cost recovery?
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Research Activity Example (cont.)

Answer: 51% x $30,000 = $15,300

Other Sponsored Activity Example

The F&A cost rate for an other sponsored activity is 38 percent and the distribution base equals $25,000. What is the projected F&A cost recovery?

Answer: 38% x $25,000 = $9,500

Two Rates

If the proposed activity is conducted both on and off campus, calculate the projected recovery by multiplying each rate by the estimated costs for the appropriate location using the applicable distribution base.

Examples

Research Activity Example

The distribution base (e.g., modified total direct costs) totals $125,000, with $80,000 budgeted for on-campus and $45,000 for off-campus. What is the projected F&A cost recovery from each location for the research activity?

Answer: On campus 51% x $80,000 = $40,800
Off campus 26% x $45,000 = $11,700
Total recovery = $52,500

Other Sponsored Activity Example

The distribution base for an other sponsored activity totals $100,000, with $70,000 budgeted for on-campus and $30,000 for off-campus. What is the projected F&A cost recovery from each location for the other sponsored activity?

Answer: On campus 38% x $70,000 = $26,600
Off campus 26% x $30,000 = $7,800
Total recovery = $34,400

Exceptions

Only under exceptional circumstances does the WSU Vice President for Research and/or the ORSO Director approve agreements with agencies that reimburse F&A costs at less than the current negotiated rates.

Investigators who prepare proposals for submittal to such agencies should contact ORSO to ascertain the acceptability of less than approved F&A rates.
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ENCUMBRANCES
Sponsored Programs Services normally encumbers funds for F&A costs when a project account is first set up, renewed, or rebudgeted. The amount of the encumbrance is indicated in the Account Balances/Detail and/or on the Budget Statement under object 13. See BPPM 30.07 for more information about encumbrances and the Budget Statement.

CHARGING F&A COSTS
Sponsored Programs Services automatically charges F&A costs based upon the rates approved in the sponsor's agreement.

NOTE: A sponsor's liability for paying F&A costs incurred during a project does not lapse at the termination date. Facilities and administrative costs may be charged for allowable direct costs posted to the account after the agreement's expiration date for goods received or services performed during the project period.

Verification
Departmental personnel and/or the principal investigator are to check the Account Balances/Detail to verify that the rate actually used is the same as the rate approved in the sponsor's agreement. If the Account Balances/Detail or the Budget Statement do not show the charge, or show an incorrect charge, telephone SPS at 509-335-2058.

ALLOCATION
Refer Executive Policy Manual EP2 for the policy on annual allocation of F&A cost recovery revenue to colleges and academic departments.